

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-0848/2	Introduction Number AB-0049	
Description the authority of the Board of Commissioners of Public Lands to delegate authority to invest trust fund moneys and making an appropriation		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By SWIB/ Jay Risch (608) 261-2410	Authorized Signature Jay Risch (608) 261-2410	Date 3/6/2019

5. Types of Local Government Units Affected
 Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fiscal Estimate Narratives

SWIB 3/6/2019

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Description the authority of the Board of Commissioners of Public Lands to delegate authority to invest trust fund moneys and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Current law generally authorizes the Board of Commissioners of Public Lands (BCPL) to invest the Common, Normal, University, and Agricultural College Funds (school trust funds) in any type of investment, as long as it invests "with the care an ordinary prudent person in a like position would exercise under similar circumstances" in accordance with the standard of conduct for investing an institutional fund.

Under current law, the BCPL is authorized to delegate to the State of Wisconsin Investment Board (SWIB) the authority to invest part or all of the moneys belonging to the school trust funds. However, SWIB may invest the moneys only in fixed income investments or in funds that invest only in fixed income instruments. As of the date of this fiscal estimate, BCPL has not delegated management of any trust fund assets to SWIB.

Under this bill, the BCPL may contract with SWIB to invest school trust fund moneys, SWIB may be compensated as provided for in the contract, and SWIB may invest the moneys in accordance with the standard that applies to SWIB's investment of the other funds under its management. This standard requires that SWIB: (1) manage the moneys as would a prudent person acting in a similar situation; (2) adequately diversify investments; and (3) administer trust fund moneys for the purpose of ensuring the fulfillment of the purpose of each trust fund, at a reasonable cost.

SWIB is currently responsible for managing the assets of the Wisconsin Retirement System (WRS), the State Investment Fund (SIF) and other state trust funds. As of December 31, 2018, SWIB managed more \$110 billion in assets.

As of June 30, 2018, the assets of the trust funds managed by the BCPL are as follows: Common School (\$1.1 billion), Normal School (\$27.7 million), University (\$234,129) and Agricultural College (\$305,281).

The costs SWIB would incur under this bill are indefinite because they depend upon whether BCPL would contract with SWIB to invest part or all of the moneys belonging to the trust funds. The costs would further depend on what type of asset classes the investments would be in and what services SWIB would provide. Any costs SWIB incurs would need to be recovered by SWIB.

Long-Range Fiscal Implications